United Nations A/62/210

General Assembly

Distr.: General
6 August 2007
English
Original: Arabic/English/
French/Spanish

Sixty-second session
Item 54 (a) of the provisional agenda*
Macroeconomic policy questions: international trade and development

Unilateral economic measures as a means of political and economic coercion against developing countries

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution 60/185, entitled "Unilateral economic measures as a means of political and economic coercion against developing countries". In accordance with that resolution, the Secretary-General invited the Governments of all States to provide their views or any other relevant information on the issue of unilateral economic measures as a means of political and economic coercion against developing countries. The texts of the replies received from Belarus, Benin, Colombia, Cuba, Egypt, Myanmar, Qatar, Ukraine and Zimbabwe are reproduced in annex I of the report. In addition, relevant organizations, programmes and agencies inside and outside the United Nations system were invited to provide information concerning developments in the subject area. The texts of the replies received from the Economic and Social Commission for Asia and the Pacific, the Economic and Social Commission for Western Asia and the Organization for Economic Cooperation and Development are reproduced in annex II. Information regarding the application and impact of unilateral economic measures imposed on Cuba, the Democratic People's Republic of Korea, Lebanon, Myanmar, the Occupied Palestinian Territory, the Syrian Arab Republic and Zimbabwe are reported in the submissions reproduced in annexes I and II.

* A/62/150.

07-45258 (E) 210807 290807

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I. Introduction

1. The present report is submitted pursuant to General Assembly resolution 60/185, entitled "Unilateral economic measures as a means of political and economic coercion against developing countries". In that resolution, the Assembly, inter alia, urged the international community to adopt urgent and effective measures to eliminate the use of unilateral coercive economic measures against developing countries that were not authorized by relevant organs of the United Nations or were inconsistent with the principles of international law as set forth in the Charter of the United Nations and that contravened the basic principles of the multilateral trading system.

2. In the same resolution, the General Assembly requested the Secretary-General to continue to monitor the imposition of measures of that nature and to study the impact of such measures on the affected countries, including the impact on trade and development, and to report to the Assembly at its sixty-second session on the implementation of the resolution.

3. Accordingly, the Secretariat, in a note verbale dated 20 May 2007, invited the Governments of all States to provide their views or any other relevant information regarding the existence of any unilateral sanctions and the impact they may have had on their trade and development. As at 31 July 2007, replies had been received from the following Member States: Belarus, Benin, Colombia, Cuba, Egypt, Myanmar, Qatar, Ukraine and Zimbabwe. The replies are reproduced in annex I to the present report.

4. In addition, relevant organizations, programmes and agencies inside and outside the United Nations system were also invited to provide information and analyses concerning recent developments in the subject area. The replies received from two United Nations bodies and the Organization for Economic Cooperation and Development are reproduced in annex II to the report.

II. Summary of replies received from Member States, United Nations bodies and other international organizations

5. Member States that responded to the Secretary-General's request for views and relevant information on the issue of unilateral economic measures as a means of political and economic coercion against developing countries have expressed disagreement with such practices. Unilateral economic measures were viewed as actions that are contrary to the principles of the Charter of the United Nations, the norms of international law and the rules-based multilateral trading system embodied in the agreements of the World Trade Organization. Several replies made reference to paragraph 5 of the Doha Declaration of the Heads of State and Government of the Member Countries of the Group of 77 and China at the Second South Summit held in June 2005 which, inter alia, called on the international community to eliminate the use of unilateral coercive economic measures against developing countries.[1] The Organization for Economic Cooperation and Development expressed the view that such measures should be used only as a last resort and their application should be consistent with international law.

[1] A/60/111, annex I.

6. Several replies described unilateral coercive economic measures taken against some developing countries and their adverse impacts on the economies of those countries. Cuba reports to have been the victim of 47 years of United States unilateral economic sanctions that continue to constrain the country's commercial and financial transactions with trading partners, cultural exchanges and tourism.

7. The Economic and Social Commission for Asia and the Pacific reported on the application and impact of unilateral coercive economic measures against the Democratic People's Republic of Korea and Myanmar. Trade and investment restrictions imposed on the Democratic People's Republic of Korea by the United States since the 1950s, and modified numerous times since then, have adversely affected activities necessary for economic growth and development. In Myanmar, coercive economic measures comprised restrictions on trade and investment and targeted sanctions imposed by the European Union starting in 1996, and by the United States in 1997, and regularly renewed by both since then.

8. The Economic and Social Commission for Western Asia reported that in Lebanon, a 56-day blockade imposed by Israel during the conflict in July and August 2006 caused severe drops in the trade in merchandise, supply shortages of retail goods, higher inflation and other disruptions in the economy. The Commission also presented details of economic decline in the Occupied Palestinian Territory that was attributed mainly to a boycott of the Hamas-led Palestinian Authority by the European Union, Israel, the United States and other countries, after a Hamas cabinet was formed in March 2006 following parliamentary elections in January of that year. Trade sanctions imposed on the Syrian Arab Republic by the United States in May 2004 reportedly continued to take effect in 2006 by restricting imports of merchandise from the United States.

9. Zimbabwe also indicated it had been the victim of sanctions imposed by the European Union, the United States and other countries. The United States sanctions originated in national legislation entitled the Zimbabwe Democracy and Economic Recovery Act of 2001 which, Zimbabwe maintained, had severely curtailed that country's access to international markets and financial support from international institutions. Zimbabwe further claimed that the European Union targeted sanctions resulted in the suspension of development assistance funds that affected financing of programmes in health, education, the environment and rural development.

Annex I

Replies received from Member States

Belarus

[Original: English]
[29 June 2007]

The Republic of Belarus does not practise and condemns unilateral economic measures as a means of political and economic coercion against developing countries; and supports the United Nations efforts to eliminate the practice.

Benin

[Original: French]
[2 July 2007]

1. Benin firmly opposes the imposition of unilateral coercive measures as a means of exerting political and economic pressure on developing countries.

2. It cannot associate itself with the extraterritorial application of national laws adopted in order to impose regime change in another country. Such laws hinder dialogue in the spirit of the Charter of the United Nations and the principles governing the maintenance of good relations among States.

3. It calls for the lifting of all unilaterally imposed coercive economic measures.

4. Benin maintains friendly relations with all States and believes that every State should be able to participate fully in international life and benefit from the same facilities as all other States, in line with international law and universal human rights values.

Colombia

[Original: Spanish]
[6 June 2007]

1. The Colombian Government, in accordance with the principles enshrined in the Charter of the United Nations, has not promulgated or unilaterally applied any laws or measures against Cuba or any other Member State, since provisions of this type could undermine the free development of its economy or trade and could limit cultural and intellectual activities among Member States.

2. Colombia believes that measures of this type should cease and that Member States should build relations of friendship based on respect for the self-determination of peoples. This position is based on the principles enshrined in Article 1 of the Charter of the United Nations, which are aimed at strengthening universal peace.

Cuba

[Original: Spanish]
[26 June 2007]

1. Cuba vigorously and unequivocally opposes any action, on the part of any State, aimed at using or encouraging the use of unilateral economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights. Such actions constitute a flagrant violation of the principles of international law as set forth in the Charter of the United Nations, as well as the basic principles of the multilateral trading system.

2. Despite the General Assembly's repeated expressions of opposition to these practices, unilateral economic sanctions of a coercive nature continue to be openly applied by a number of industrialized Powers, particularly the Government of the United States of America.

3. For more than 47 years the Cuban people have been victims of unilateral economic measures that have limited their development opportunities. The embargo policy imposed and strengthened by 10 United States Administrations is a concrete example of such measures, whose repercussions have had serious negative effects on all spheres of the country's life. Contrary to the express will of the international community, the authorities in Washington have adopted new economic sanctions; stepped up their interference with Cuba's international commercial and financial transactions, including its payments to United Nations entities; stolen trademarks and more of the Cuban funds frozen in the United States, amounting to millions of dollars; and taken harsher reprisals against entities and individuals that trade with the island or engage in cultural exchanges or tourism there.

4. The implementation of the Bush plan for the annexation of Cuba, including the measures contained in the updated version of July 2006, has worsened the impact and the extraterritorial effects of the embargo sanctions against Cuba, maximizing the negative impact of the Torricelli and Helms-Burton Acts.

5. In December 2006 the management of Norway's Hotel Scandic, which belongs to the United States-based Hilton hotel chain, refused to provide accommodation to the Cuban delegation that was to attend the International Tourism Fair in that country in January 2007. The decision was taken pursuant to the provisions of the United States embargo against Cuba.

6. A Cuban company was unable to order Plateau herbicide, for agricultural use, directly from the German firm BASF because the herbicide's active ingredient is of United States origin and cannot be sold to Cuba, either from Germany or from the firm's subsidiaries in Latin America.

7. The international community cannot turn a blind eye to the risks generated by the proliferation of unilateral coercive economic measures with a strong extraterritorial dimension. Cuba once again denounces the implementation of such measures, which are intended to undermine the independence, sovereignty and right to self-determination of peoples.

8. Cuba trusts that the international community will continue to condemn these practices until they have been completely eradicated.

Egypt

[Original: English]
[20 June 2007]

Egypt's consistent view is that unilateral sanctions outside the United Nations framework are not a course of action that Egypt can condone.

Myanmar

[Original: English]
[2 July 2007]

1. Myanmar supports General Assembly resolution 60/185, entitled "Unilateral economic measures as a means of political and economic coercion against developing countries".

2. The Union of Myanmar strongly believes that the promulgation and application by Member States of laws and regulations, the extraterritorial effects of which affect the sovereignty of other States, the legitimate interests of entities or persons under their jurisdiction and the freedom of trade and navigation, violate both the spirit and letter of the Charter of the United Nations and the universally adopted principles of international law. Hence, Myanmar opposes the use or encouragement of the use by any State of unilateral economic, political or any other type of measures to coerce another State in order to obtain from it the subordination of the exercise of its sovereign rights.

3. Having such a view, the Union of Myanmar has not promulgated any laws and regulations of the kind that are against the basic principles of the multilateral trading system.

Qatar

[Original: Arabic]
[20 June 2007]

1. The State of Qatar does not agree to the adoption of legislation outside the jurisdiction of any State relating to the application of unilateral coercive economic measures against developing countries, as that is inconsistent with the principles of international law as set forth in the Charter of the United Nations. Moreover, unilateral coercive measures have a damaging effect on the prospects for economic development in the developing countries, as they distort trade and investment flows, violate the sovereignty of States, their legitimate interests and human rights and have a long-term negative impact on development efforts in developing countries.

2. The State of Qatar stands with the overwhelming majority of the international community, which has refused to acknowledge the right of any State to legislate outside its jurisdiction for the purpose of the application of coercive economic measures against any other State, through the adoption by the United Nations General Assembly by an overwhelming majority of its resolution 60/185 dated 31 January 2006 and entitled "Unilateral economic measures as a means of political and economic coercion against developing countries".

3. Moreover, paragraph 5 of the Doha Declaration adopted at the Second South Summit on 16 June 2005 stipulates the following: "We firmly reject the imposition of laws and regulations with extraterritorial impact and all other forms of coercive economic measures, including unilateral sanctions against developing countries".

4. The State of Qatar, which had the honour to host the Second South Summit, rejects all forms of unilateral economic measures described in the General Assembly resolution as means of political and economic coercion against developing countries and has taken measures to prevent the application of or compliance with such measures.

Ukraine

[Original: English]
[25 June 2007]

1. I would like to inform you that Ukraine does not have any legislation or regulations which support unilateral economic measures as a means of political and economic coercion against developing countries.

2. Equally, the Government of Ukraine docs not accept the use of economic measures as a means of achieving political aims and upholds, in its relations with countries, the fundamental principles of the Charter of the United Nations, the norms of international law and the freedom of trade and navigation.

Zimbabwe

[Original: English]
[24 July 2007]

1. Zimbabwe has always been opposed to the passing of national laws and regulations that have extraterritorial impact, including all other coercive economic measures and unilateral sanctions which are targeted mainly at developing countries that seek to reassert their sovereignty. At the Second South Summit, held in Doha in 2005, the Heads of State rejected the passing of such laws. Zimbabwe has itself been a victim of such practices. In 2001, the United States Government passed the Zimbabwe Democracy and Economic Recovery Act which, in effect, curtailed the country's access to markets and blocked international financial institutions from providing financial assistance and balance-of-payment support to the country. That meant that the country could no longer embark on any meaningful capital projects because inflows towards technical assistance and infrastructural development to both Government and private sectors ceased.

2. The European Union's so-called smart sanctions have similarly limited Zimbabwe's market access and almost destroyed the country's vibrant tourism sector. The European Union suspended access to the "A" envelope of the European Development Fund and that has negatively affected the education, health, agriculture, environment and rural development programmes which benefited from the envelope before.

3. The withdrawal of the multilateral financial institutions from providing balance-of-payment support has also deterred some bilateral creditors and donors

who have had to scale down or suspend disbursements of existing loans to Government and parastatals. Prior to the imposition of sanctions, whether declared or undeclared, instigated and driven at an international level by the British Government, Zimbabwe had an impeccable record of prompt debt servicing and was highly rated in the international financial markets. The capital account, traditionally a surplus account, has been in deficit since 2000, thus depriving Zimbabwe of much needed foreign direct investment. Foreign direct investment declined from $444.3 million in 1998 to $50 million in 2006.

4. Sanctions have affected the image of the country through negative perceptions by some sectors of the international community leading to a low credit rating and difficulties in accessing lines of credit by Zimbabwean companies, which now have to pay cash up front for their imports. That has also been worsened by the negative publicity by the mainstream western media about the country.

5. The protracted foreign currency shortages that the country has been facing since 2000 have crippled the operations of industry, which heavily rely on imported inputs for their daily operations. That has lead to a reduction of exports due to low levels of production which have also resulted in high retrenchments and increased unemployment levels. In addition, the foreign currency shortages have severely constrained the country's capacity to meet its foreign payment obligations and to finance critical imports such as drugs, grain, fuel and electricity.

6. The declared and undeclared sanctions imposed on Zimbabwe have had social and economic effects on Zimbabwe's key economic sectors and have adversely affected vulnerable groups much more than anyone else. Significant progress in the country had been made in the development of infrastructure, education, health and social welfare delivery systems, all of which have lost out in terms of the financial and technical support they were given, particularly by the Nordic countries.

7. All that is happening against the background of a devastating HIV/AIDS pandemic which, on its own, requires huge sums of money for a sustained advocacy campaign for prevention, purchasing of anti-retrovirals and caring for orphans. Added to that, there are challenges posed by other perennial diseases such as tuberculosis and malaria. Owing to the sanctions in place, international assistance to HIV/AIDS programmes has been minimal. In addition, Zimbabwe has experienced successive years of droughts since 2000. Owing to the sanctions, no significant international assistance has been availed to the country either for humanitarian assistance or recovery, compared to what has been availed to other countries in the region.

8. In the end, sanctions have caused the decline in the key sectors of the economy, which has resulted in reduced trade levels, high unemployment, loss of skilled labour for key sectors in other countries and deteriorating standards of living for the majority of the people.

9. It is noteworthy that the economic coercive measures were imposed on Zimbabwe by developed countries after it chose, in exercise of its sovereign right and acting within its own laws, to embark on a land reform programme that redistributed land to the majority of its citizens with the sole aim of empowering them to realize sustainable livelihoods. The countries concerned knew the vulnerability of Zimbabwe as a developing country and sought to deliberately get Zimbabwe to comply with their political demands based on their own value systems.

President Bush, referring to the Zimbabwe Democracy and Recovery Act upon its signing, also said "Section 4 of the Act purports to direct the executive branch to oppose and vote against the extension of loans or the cancellation of debt in international financial institutions unless and until I make a certification of national interest determination". President Bush clearly had in mind the national interest of his own country and not those of the people of Zimbabwe.

Annex II

Replies received from United Nations bodies and other international organizations

Economic and Social Commission for Asia and the Pacific

1. In Asia and the Pacific, unilateral coercive economic measures are applied against Myanmar by a number of countries. Most of those measures focus on import bans, restrictions on investment and travel restrictions. It is hard to assess the impact of economic sanctions as a result of a lack of verifiable data. With regard to investment restrictions, foreign investments in Myanmar concentrate on natural resource extraction, which has very few trickle-down effects in terms of creating employment and small business opportunities within the overall economy. Myanmar remains a very poor country and as a result of sanctions it fails to benefit from the economic success and the creation of value added industries that would enable it to increase earnings from exports, as numerous other countries of the Association of Southeast Asian Nations, of which it is also a member, have experienced. Association of Southeast Asian Nations countries continue to rely on the United States and the European Union for their exports.

2. The Democratic People's Republic of Korea is also subject to unilateral economic sanctions applied by a number of countries. Normally, food items and other non-luxury goods are exempt, but sanctions prevent the normal development of trade and investment which are fundamental to economic growth and development and, hence, the Democratic People's Republic of Korea will continue to depend on foreign aid for its economic development.

3. In both cases the fact that economic measures are applied unilaterally, and not multilaterally, may undermine their stated objectives.

Economic and Social Commission for Western Asia

Occupied Palestinian Territory

1. The Occupied Palestinian Territory experienced economic decline owing to the boycott imposed by many countries on the Hamas-led Palestinian Authority. The Hamas-led Palestinian cabinet, formed in March 2006, was boycotted by Israel, the United States, the European Union and other countries over political disagreements with Hamas. The boycott involved the cutting of aid, contacts and economic cooperation programmes. Real gross domestic product contracted by an estimated 10 per cent in 2006 and 4.2 per cent in the first quarter of 2007, compared with the fourth quarter of 2006[a] (see chart). The Palestinian Authority is the major provider of services inside the Occupied Palestinian Territory. Almost two thirds of the Palestinian Authority's revenues come from taxes (the largest share of those taxes are collected by Israel on imports destined to the Occupied Territories) and another one third from budgetary aid. The Government of Israel has suspended the payment of the tax revenues allocated to the Palestinian Authority since March 2006. Donors

[a] Palestinian Central Bureau of Statistics, *Preliminary Estimates of Quarterly National Accounts*, 1st quarter 2007 (www.pcbs.gov.ps).

have also channelled their funds away from the Government and from development projects. It is estimated that financial revenues and aid received by the Government fell by one third in 2006.[b] As a result of that development, Government consumption and investment dropped significantly in 2006. It is estimated that Government employees, constituting 22.6 per cent of the labour force in the Occupied Palestinian Territory in 2006,[c] received around 50 to 55 per cent only of their wages in 2006.[d] The productivity of public employees declined tremendously. Shortages in medical staff and supplies were faced. The majority of public schools were totally or partially closed and an estimated 70 per cent of students were affected by the closure.[e] Despite humanitarian aid disbursement, which continued through private channels, deep poverty is estimated to have increased from 17.3 per cent of the population in 2005 to 27.5 per cent in the first half of 2006.[f] Trade in 2006 also declined, particularly exports from the Occupied Palestinian Territory to Israel, which are estimated to have declined by around 10 per cent in real terms.[g]

Source: Palestinian Central Bureau of Statistics, http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/TOTAL%20PressQ1-0%20_E%20_PDF.pdf.

Lebanon

2. In the July and August 2006 war on Lebanon, Israel imposed an overall blockade which directly hampered trade for 56 days. The direct costs are manifested by severe drops in the value of exports of 34.7 per cent and 72.94 per cent in July and August 2006, respectively.[h] Similarly, imports declined by 32.04 per cent and

[b] See IMF and World Bank, "West Bank and Gaza: economic developments in 2006: a first assessment" (March 2007).

[c] Palestinian Central Bureau of Statistics, *Labor Survey*, 3rd quarter 2006.

[d] See IMF and World Bank, loc. cit.

[e] UNICEF, "Six months without pay spark teachers' strike in Gaza and West Bank", New York, 5 September 2006.

[f] Office for the Coordination of Humanitarian Affairs, "Prolonged crisis in the Occupied Palestinian Territory: recent socio-economic impacts on refugees and non-refugees", 22 November 2006 (www.reliefweb.int).

[g] See IMF and World Bank, loc. cit.

[h] See Banque du Liban, *Quarterly Bulletin*, 3rd quarter 2006.

67.82 per cent on a monthly basis in July and August 2006, respectively.[i] The blockade caused delays in shipments, additional storage costs and shortages in supplies, which were reflected in higher prices of retail products. The inflation rate increased to 6.8 per cent in the second half of 2006.[j]

Syrian Arab Republic

3. The trade sanctions implemented by the United States against the Syrian Arab Republic in May 2004 continued to affect the country in 2006. Those sanctions mainly prohibit the export of United States products to the Syrian Arab Republic, except for food and medicine. Between 2004 and 2006, the European Union remained the largest trade partner of the Syrian Arab Republic.[k] In 2005, imports to the Syrian Arab Republic from the United States, which constituted 2.3 per cent of total imports, dropped by 14.75 per cent.[l]

Organization for Economic Cooperation and Development

The Organization for Economic Cooperation and Development (OECD) does not track information on unilateral coercive economic measures taken against any country. OECD engagement in the area stems from its strong belief in and support for multilateralism and the rule of law. OECD exhorts all countries, developed and developing, to use economic measures only as a last resort and in keeping with the principles of international law as laid down in the Charter of the United Nations and with the principles of the multilateral trading system as embodied in the agreements of the World Trade Organization.

[i] Ibid.

[j] Central Administration for Statistics, *Consumer Price Index* (www.cas.gov.lb).

[k] See data in the Central Bank of Syria, *Quarterly Bulletin 2006*, No. 44/3 (2006).

[l] See ibid.